

# **FISCAL NOTE**

## **HB 659 – SB 1541**

March 5, 2007

**SUMMARY OF BILL:** Exempts the retail sales of food and food ingredients from state sales tax. Local option sales tax remains applicable.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - \$141,863,000 / General Fund**  
**\$318,173,000 / Education Fund**  
**\$22,447,000 / Earmarked to Local Govt.**  
**\$1,796,000 / Department of Revenue**  
**\$4,489,000 / Sinking Fund**

**Decrease Local Govt. Revenues - \$22,447,000**

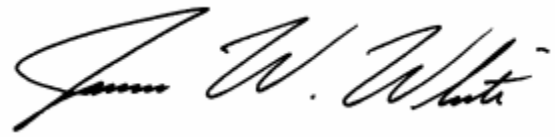
#### Assumptions:

- According to the Department of Revenue, taxable sales of food and food ingredients in Tennessee for FY05-06 were approximately \$7,753,600,000.
- Based on historical collection patterns, taxable sales of food and food ingredients are estimated to grow by approximately 2.5% per year.
- Taxable sales for FY07-08 are estimated to be approximately \$8,146,126,000.
- The recurring decrease in state sales tax revenue resulting from the exemption of the state sales tax on food sales is estimated to be \$488,768,000 ( $\$8,146,126,000 \times 6.0\% = \$488,767,560$ ) per year.
- The estimated \$488,768,000 in state sales tax revenue would have been apportioned as follows: \$141,863,000 to the General Fund, \$318,173,000 to education, \$22,447,000 to local governments, \$1,796,000 to the Department of Revenue, and \$4,489,000 to the Sinking Fund.
- The state will forgo additional sales tax revenue in subsequent fiscal years due to growth of taxable sales.
- Local governments are not held harmless from the loss of state-shared sales tax revenue.

- The recurring decrease to local government revenues is estimated to be \$22,447,000.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director